FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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Docket Nos. EC99-81-000 and EC99-99-000

ILLINOVA, DYNEGY MERGER APPROVED; COMMISSION CONDITIONALLY OKAYS DOMINION RESOURCES, CNG'S UNION

The Federal Energy Regulatory Commission acted on two merger applications today, bringing to 25 the number it has acted on since issuing its Merger Policy Statement in December 1996.

Chairman James J. Hoecker noted, "Even as this Commission experiences an unprecedented increase in major merger applications, including the very complex market power issues raised by natural gas and electric utility combinations, as in these cases, the Commission has been able to complete its review of these mergers within the time frame set out in its 1996 Merger Guidelines. Convergence mergers that integrate these two kinds of energy delivery networks are capable of saving consumers money and achieving efficiencies in two ways–by synergies and cost savings within the merged company, and by laying the foundation for barrier-free competitive regional markets. We are anxious to watch their performance."

The Commission approved the approximately $2 billion merger of Decatur, Illinois-based Illinova Corporation–the holding company for the jurisdictional utility, Illinois Power Company--and energy marketer Dynegy, Inc. (EC99-99-000). The newly-formed holding company will be based in Houston, Texas, Dynegy's headquarters.

In a separate order, the Commission conditionally approved the more than $6 billion combination of Dominion Resources, Inc. and Consolidated Natural Gas Company (EC99-81-000). Headquartered in Richmond, Virginia, Dominion Resources is parent company of Virginia Power and currently serves customers in Virginia and northeastern North Carolina. The merger with Pittsburgh-based CNG, primarily a gas and oil company with limited power marketer holdings, would create a combined energy company serving nearly four million retail customers in five states.

The Commission found that the market analysis provided by the applicants did not demonstrate that the merged company would adversely affect competition, particularly in the delivery of natural gas to competitors' gas-fired generating plants and the sharing of sensitive information among its affiliates. The Commission directed the companies to either file a revised market analysis, clearly demonstrating that the merged companies would not adversely affect competition, or extend to all of the merged companies' corporate affiliates the commitment to apply the Commission's Standards of Conduct which govern affiliate conduct between gas pipelines and their marketers.

The Commission accepted Dominion and CNG's agreement that its cost-based, wholesale customers would not be liable for any net merger-related costs. In addition, the companies said that Virginia Power would not pay any CNG affiliate a price for natural gas that exceeds the lower of cost or market.

The Commission accepted the companies' commitment to follow Commission policy regarding treatment of costs and revenues from non-power transactions. CNG and its affiliates will not, for example, sell non-power goods and services to Virginia at a price in excess of market value.

Dominion and CNG have 45 days to file a revised analysis or commit to the conditions established by the Commission.

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